

## Request for City Council Action

Date: June 10, 2002

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee  
Refer to: MCDA Board of Commissioners

Prepared by Dollie Crowther, Senior housing Coordinator, Phone 612-673-5263

Approved by Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject: Adoption of the Lake and Bloomington Redevelopment Plan and the East Phillips Commons, Phase I Tax Increment Finance Plan**

**Previous Directives:** On March 26, 2001 the MCDA Board authorized staff to proceed with analysis of the 29<sup>th</sup> Street Corridor Project proposal and to negotiate terms and conditions of a redevelopment contract with Sherman Associates.

**Ward:** 8

**Neighborhood Group Notification:** On June 16, 2001 the Powderhorn Park Neighborhood Association (PPNA) approved the project. On July 11, 2001 the Midtown Phillips Council approved this project and on March 26, 2001 East Phillips Improvement Coalition approved the development of this project.

**Consistency with *Building a City That Works*:** Provide a diversity of housing choices within each community by providing financial assistance for new and existing housing.

**Comprehensive Plan Compliance:** Complies.

**Zoning Code Compliance:** Complies.

**Impact on MCDA Budget:** (Check those that apply)

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

**Living Wage / Business Subsidy:** NA

**Job Linkage:** NA

**Affirmative Action Compliance:** Will comply.

**RECOMMENDATION:**

**City Council Recommendation:** The Interim Executive Director recommends that the City Council:

1. **Approve the City Council Resolution adopting the Lake and Bloomington Redevelopment Plan and the East Phillips Commons Phase I Tax Increment Finance Plan; and**
2. **Forward this report to the MCDA Board of Commissioners.**

**MCDA Board Recommendation:**

1. **The Interim Executive Director recommends that the Board approve the MCDA Resolution adopting the Lake and Bloomington Redevelopment Plan and adopting the East Phillips Commons Tax Increment Finance Plan.**

**Background/Supporting Information**

On March 26, 2001 the MCDA Board authorized staff to proceed with analysis of the 29<sup>th</sup> Street Corridor Project proposal and negotiate terms and conditions of a redevelopment contract with Sherman Associates. It also called for preparation of a redevelopment plan/modification and tax increment financing plan/modification for this proposed project. This is a phased housing development project and the future phases will be "stand alone" projects with no financial linkages between the projects.

Sherman Associates will be the general partner in the limited partnership that will be developing the Lake and Bloomington Project called the East Phillips Commons Limited Partnership. Sherman Associates specializes in the design, construction and financing of housing and commercial properties.

**Redevelopment Plan**

The purpose of the Lake and Bloomington Redevelopment Plan is to authorize public development and redevelopment activity and financial assistance to make possible the development of the rental and for sale housing projects. It will promote housing choices, economic integration and neighborhood revitalization by increasing the variety of housing types and contribute to the increase in property values and provide housing for persons of low or moderate income.

The East Phillips Commons housing development proposal submitted by Sherman Associates will provide an attractive new community of owners and renters and multi ethnic businesses.

The East Phillips Commons Project is a collaborative effort on the part of East Phillips Improvement Coalition (EPIC), Powderhorn Park Neighborhood Association (PPNA), and the Bloomington/Cedar/Lake Commercial Association (BCLCA) to respond to critical needs of the business and residential communities of this commercial node.

Sherman Associates, Inc. is proposing construction of 4 live work 2 bedroom ownership units and 30 rental apartments. The apartments will have underground parking and tuck under parking for the live work units. In addition, 4,400 square feet of commercial/retail space will be a part of the housing project. This rental space will be aimed at local businesses. Also included on the first level is an Early Childhood Resource Center with a multi-lingual day care training center for training future ethnically specific daycare providers. The first level will include a community meeting rooms and office space for EPIC. The project is located on portions of approximately one and one half blocks north of East Lake Street between Bloomington Avenue South and 16<sup>th</sup> Avenue South. The project is close to the proposed Lake Street LRT station and offers residents the convenience of biking or walking to the station. At this time a TIF District is being created for the housing project.

The 30 affordable rental housing units consists of 7 one-bedroom units, 15 two bedroom units, and 8 three-bedroom units. It is anticipated that 40% of the units will be at 50% or less of median income and the remaining units will be below 80% of median income. The developer will be requesting Section 8 project based assistance for 8 of the units. The developer has also requested MARIF funds from the MHFA for the project.

### **Tax Increment Finance Plan**

MCDA staff has completed its analysis of the developer's proformas and has made a determination on the appropriate level of public assistance. The assistance would be provided in the form of a \$758,300 pay as you go TIF note.

With pay-as-you-go tax increment financing. The developer or a third party lender finances the agreed upon tax increment eligible public redevelopment costs under contract with the MCDA in exchange for a note that pledges repayment of these costs with interest out of the tax increment generated by the project.

The present value amount assumes an annual increment of approximately \$76,927 at an interest rate of 7% over 25 years, which is the maximum term for a redevelopment TIF district. The up front funding for the tax increment is the developer's first mortgage financing which will be in the form of a tax-exempt housing revenue bond for \$2,650,000 issued by the City. The tax increment will be

available to reimburse the developer for the negotiated amount of TIF eligible public expenditures (i.e. acquisition, demolition/site preparation, environmental remediation and public improvements). The total development cost for Phase I is \$5,815,108. The developer will be applying to the City for tax exempt bonds with an automatic 4% Low Income Housing Tax Credit allocation. Also \$515,000 from the NRP Affordable Housing Fund has been approved for the project.

This report was prepared by Dollie Crowther for any questions please call 612-673-5263.

06-10-02DC ADAPTION LAKE BLOOMINGTON AND EAST PHILLIPS COMMONS PHASE I TIF PLAN/Housing  
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**Adopting the Lake and Bloomington Redevelopment Plan and the East  
Phillips Commons, Phase 1 Tax Increment Finance Plan**

**RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:**

**Section 1. Recitals.**

- 1.1. Pursuant to Laws of Minnesota 1980, Chapter 595, as amended, and the Minneapolis Code of Ordinances, Chapter 422, as amended, the Housing and Redevelopment Authority in and for the City of Minneapolis has been reorganized, granted additional powers, and designated the Minneapolis Community Development Agency (the “Agency”) with the authority to

propose and implement redevelopment projects and tax increment financing (“TIF”) districts, among other things, all pursuant to Minnesota Statutes, Sections 469.001 to 469.068, 469.109 to 469.134, 469.152 to 469.165, and 469.174 through 469.179 as amended, except Sections 469.033, Subdivision 6, and 469.060.

- 1.2. It has been proposed that the Agency prepare the Lake and Bloomington Redevelopment Plan and the East Phillips Commons, Phase 1 TIF Plan (the “Plans”) to provide the legal authority for the creation of a new redevelopment project, and a new TIF district, which Plans reflect the establishment of objectives for the redevelopment of the project, designation of project boundaries, designation of property that may be acquired, identification of land uses, a budget for public redevelopment costs, and the establishment and preservation of the right of the City to create one or more redevelopment tax increment financing districts that include parcels in the Lake and Bloomington Redevelopment Project (the “Project Area”), all pursuant to and in accordance with Minnesota Statutes, Sections 469.001 through 469.047 and 469.174 through 469.179, as amended.
- 1.3. The Agency has prepared, and this City Council (the “Council”) has examined the proposed Plans that describe more precisely the activities to be undertaken, the public costs, the designation of the Project Area, objectives for the redevelopment of the Project Area, including land uses for the redevelopment of the project area, property acquisition, a budget for expenditures, and the facts supporting the Plans. The Council has reviewed the legal authorization to establish a new TIF district for the proposed redevelopment project, and to authorize public redevelopment activities and expenditures necessary to assist this project. Anticipated public redevelopment activities include property acquisition, demolition, relocation, administration and other related activities, all pursuant to and in accordance with Minnesota Statutes, Sections 469.001 through 469.047 and 469.174 through 469.179, as amended (the “Laws”).
- 1.4. The Agency and the Council have performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the proposed Plans by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Plans to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.
- 1.5. The East Phillips Commons, Phase 1 TIF District (the “TIF District”) is being established within and under the authority of the Project Area.

## **Section 2. Findings for the Adoption of the Plans.**

- 2.1. The Council hereby finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of the Project Area and TIF District by private enterprise as the proposed redevelopment removes blight and significant blighting influences, provides a variety of homeownership and rental units, including affordable housing, enhances the city's tax base, will serve as an impetus for redevelopment of the area, and will provide relief from hazardous traffic patterns, inadequate parking facilities, and impediments to the flow of traffic.
- 2.2. The Council further finds, determines and declares that the Plans conform to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Plans were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.3. The Council further finds, determines and declares that the proposed redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the use of tax increment financing is deemed necessary because financial assistance is required to eliminate inconsistent uses, boarded, blighted and vacant parcels, resulting in the provision of needed affordable housing units, needed parking, the revitalization of the 29<sup>th</sup> Street Corridor, and encourage development that includes improvements to existing transit options. Revenue generated from the project is not sufficient to fully amortize the cost of acquisition, demolition and construction. The site contains a large number of boarded and condemned houses as well as deteriorated drug houses, and has created a place for flourishing of drug sales and prostitution.
- 2.4. The Council further finds, determines and declares that the property to be included in the Project Area meets the statutory definition of a blighted area due to the presence of blighted, vacant and boarded structures, vacant and underutilized land, functionally obsolete and hazardous structures, and further, the site characteristics indicate significant blighting influences caused by the volume of congestion of traffic on E. Lake Street and difficult characteristics of the site, all of which may have contributed to and prevented normal development of the land in the past. It was also found that with reasonable certainty, deficiencies exist in several buildings that are below standards of the Uniform Building Code applicable to new buildings and that several buildings at the location are structurally substandard in accordance with the Laws, because the costs of repairs to comply with standards of the building code exceed 15% of the properties' replacement value, and other factors, which have prevented normal development. The proposed TIF District contains two

non-contiguous areas, separated by the proposed Midtown Greenway parcels, and each area qualifies for inclusion in the TIF District in accordance with 469.174, Subd. 10 (a). Of the four parcels included in the northerly portion of the TIF District, three parcels had improvements and/or buildings that were considered structurally substandard, thereby qualifying this portion of the TIF District for inclusion in a TIF District; further, the remaining 18 parcels included in the TIF District that lie south of E. 29<sup>th</sup> Street and the proposed Midtown Greenway include vacant lots, boarded and vacant buildings, property that is unused, underused, inappropriately used, or infrequently used, marginal properties, and substandard parcels. The marginal properties had minor repairs and code violations that did not exceed the thresholds to be considered structurally substandard. Further, vacant residential property contained broken windows and interior areas open to the elements, with damage caused by vandalism or disuse, dilapidated out buildings, and graffiti covered walls. Exterior inspections revealed the presence of roof damage caused by ice damming and worn roofing materials, damaged siding and trim, broken storm doors and windows, garage framing and doors out of plumb and in need of paint, trash on site, garage doors open directly onto the alley, and vacant commercial and residential buildings. When permitted, internal and external inspections were conducted on the properties to be included in the TIF District, and the Agency used its best efforts to obtain permission from the property owners to gain access to the property. Therefore, it is found that the TIF District and Project Area contain buildings that are substandard as defined in Minnesota Statutes, Section 469.002, Subdivision 11 and Section 469.174, Subdivision 10. Detailed and documented parcel-by-parcel interior and/or external inspections of the properties to be included in the TIF District were conducted and that the reasons and supporting facts for these determinations are retained and available from the Agency. It is the intent of the Plans to establish and preserve the right of the City to create one or more redevelopment TIF Districts that includes parcels in the Project Area, as needed, within three years of demolition or acquisition, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

- 2.5. The Council further finds, determines and declares that the objectives and actions authorized by the Plans are all pursuant to and in accordance with Minnesota Statutes, Sections 469.001 through 469.047 and Sections 469.174 through 469.179, as amended.
- 2.6. The Council further finds, determines and declares that the municipality elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3(a), and that it is the intent of the City and Agency that any fiscal disparity contribution required of the City for development occurring within this TIF District be taken from outside this TIF District.

- 2.7. The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.

**Section 3. Approval of the Plans; Creation of Project Area and TIF District.**

- 3.1 Based upon the findings set forth in Section 2 hereof, the Plans presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.
- 3.2. Based upon the findings set forth in Section 2 hereof, the Lake and Bloomington Redevelopment Project is hereby created and established.
- 3.3. Based upon the findings set forth in Section 2 hereof, the East Phillips Commons, Phase 1 TIF District is hereby created and established.

**Section 4. Implementation of the Plans.**

- 4.1. The officers and staff of the City and the Agency, and the City's and the Agency's consultants and counsel, are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, resolutions, documents and contracts necessary for this purpose.



MINNEAPOLIS COMMUNITY  
DEVELOPMENT AGENCY

**Lake and Bloomington  
Redevelopment Plan**

**May 10, 2002; Revised May 20, 2002**

Prepared by Project Planning and Finance Department, MCDA  
105 5th Avenue South, Minneapolis, Minnesota 55401

**Lake and Bloomington  
Redevelopment Plan  
May 10, 2002; revised May 20, 2002**

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## **Lake and Bloomington Redevelopment Plan May 10, 2002; Revised May 20, 2002**

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### ***Introduction***

Two plan documents have been prepared to assist a proposed rental and homeownership project: this Lake and Bloomington Redevelopment Plan, and the East Phillips Commons, Phase 1 Tax Increment Finance (TIF) Plan. The Lake and Bloomington Redevelopment Plan establishes a new redevelopment Project Area, establishes objectives for the redevelopment of the Project Area, identifies land uses for the redevelopment of the Project Area, designates parcels for acquisition, authorizes the creation of new tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein, and preserves the right of the Agency to establish one or more tax increment finance districts within three years of site acquisition or clearance. By certifying that the Lake and Bloomington Redevelopment site is occupied by substandard buildings, adoption of this redevelopment plan establishes and preserves the City and Agency's right to establish a redevelopment tax increment finance district on the site within three years of acquisition, demolition and/or clearance.

### ***Background***

There are two major projects proposed for the Lake and Bloomington Project Area ~ the first project is a collaborative effort on the part of East Phillips Improvement Coalition (EPIC), Powderhorn Park Neighborhood Association (PPNA), and the Bloomington/Cedar/Lake Commercial Association (BCLCA) to respond to critical needs of the business and residential communities of this commercial node as well as to enhance the future prospects of the area for increased economic stability and success. The collaborative chose Sherman Associates as the developer of East Phillips Commons, a multiphased housing project.

The parties joined together to create a comprehensive redevelopment plan for the blocks immediately surrounding the Bloomington-Lake intersection to address these needs and opportunities. The group has looked to PPNA staff for technical expertise, EPIC has hired an architectural firm, DJR Architecture, and provided critical funding for the planning process. The BCLCA, especially Marquette Bank, has provided financial advice. The various partnering neighborhoods and businesses have been a part of an inclusive planning process and have enthusiastically endorsed the plans. EPIC has recommended \$150,000 of its Neighborhood Revitalization Program (NRP) funds for acquisition of properties within the Project Area. An effort will be made to seek both Empowerment Zone funding for Commercial Corridors and NRP Corridor funding.

Another project currently in the planning stage is being proposed by In the Heart of the Beast Puppet and Mask Theater (HOTB) for the development of property at 1508 E. Lake Street and 1518 E. Lake Street . It is anticipated that the development will convert and rehabilitate the vacant structure into a variety of new commercial uses focusing on the arts. This project may be submitted at a later date.

The belief is that these projects would resolve long-standing problems, satisfy serious needs, and dramatically enhance the livability and economic health and stability of this newly revitalized and flourishing commercial node. These activities are being undertaken for the purpose of removing, preventing, or reducing blight, as well as for the provision of homeownership and rental opportunities for residents. The Agency will work with the East Phillips Neighborhood and other community groups and potential developers for development of the site in order to promote community development, stabilization of the Neighborhood, and enhancement of the city's tax base.

The site of the proposed redevelopment Project Area (the "Project Area") consists of several parcels located on a number of blocks roughly bounded by E. Lake Street, 15<sup>th</sup> Avenue South, 16<sup>th</sup> Avenue South, and parcels north of Lake Street between Bloomington and 16<sup>th</sup> Avenue South as shown on Exhibit #1, the Boundary Map.

## **REDEVELOPMENT PLAN**

### **I. Project Description**

Sherman Associates, Inc. is proposing the construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet each with a focus toward the artist community, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds.

The plan emerging from this collaborative process includes several features that are critical to the future of this commercial node. These features will benefit both this residential and commercial community as well as the city in general.

An analysis on the part of the community has revealed a critical shortage of parking spaces. The businesses cannot grow and reach their potential because of the lack of parking. The opening of new businesses at Lake and Bloomington has had a positive effect on crime reduction. The project addresses this with a below-ground parking ramp at 31<sup>st</sup> Street and 16<sup>th</sup> Avenue and enhanced parking behind businesses.

The 2900 block of Bloomington and 16<sup>th</sup> Avenue contains a large number of absentee landlord, boarded and condemned houses as well as deteriorated “crack drug” houses on this and adjacent blocks. This situation has created a place for a flourishing drug trade and prostitution. The redevelopment of this block would help to resolve the crime problem<sup>1</sup>, provide clientele and workers for the businesses, create 32 new town home units, 4 live-work ownership units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. The total number of units to be created is projected to be over 60, which will include 28 rental units at 50% of median income level, and of those units 6 will be available at 30% or below of the median income. The project will add significantly to the critically needed common worker housing in the area.

The TIF District and Project Area also attempt to provide the beginning of access to and from the Midtown Greenway to Lake Street and in doing so would add Greenway users to the commerce of the area. The Project Area would also add a commercial corner to the north end of the block nearest the Greenway as well as live/work light commercial along Bloomington itself, providing some new commercial opportunities and spaces for their development. The TIF District and Project Area also adds additional parking and greening in back of the stores on Lake Street. The Project Area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

### Future Development

In addition to Phase 2 of the housing project, a proposal is being considered by In the Heart of the Beast Puppet and Mask Theater (HOTB), a Minnesota non-profit corporation, and California Building Company, a Minnesota corporation, to examine together, the development of the property at 1508 E. Lake Street and 1518 East Lake Street (the “Future Project”). The proposal calls for the acquisition, development, ownership and operation of the Future Project. HOTB will be the

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<sup>1</sup> “City of Minneapolis Property Information, Police Incidents” reports high numbers of police call/incidents for the parcels to be included in the TIF district. The number of police calls for these parcels for 2001 totalled 265, and the number to date this year totals 80; the State of the City Report 2001 reports the Third Precinct as having nearly 30% of all calls dispatched by the Precinct for the year 2000.

anchor tenant (and/or an owner) of the Project. The development will convert and rehabilitate the former vacant structure into a variety of new commercial uses focusing on the arts including, art studio space, retail space, office space, and rehearsal and storage space for HOTB. The rehabilitation of the Future Project may include seeking historic designation. The Project also includes land for the parking of vehicles. The land will be used to help solve parking issues for the Project, HOTB and the Neighborhood.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area Report and Documentation of Blight is attached as Exhibit #7 to this Redevelopment Plan.

The boundary of the Redevelopment Project is generally 16<sup>th</sup> Avenue South on the east, 15<sup>th</sup> Avenue South on the west, the center right-of-way line of E. Lake Street on the south, and part of Block 2, Allan & Andersons Addition to Minneapolis.

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #1.

C. Objectives of the Redevelopment Plan

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the Lake and Bloomington Redevelopment Plan.

The primary project objective will be to identify and carry out housing and commercial redevelopment activities in the Project Area which will revitalize the Neighborhood. Toward this end, the following goals have been identified:

- (1) Facilitate the development and redevelopment of underutilized and/or blighted property in the Project Area
- (2) Eliminate blight, incompatible uses, and blighting influences
  - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized.
  - Remove structurally substandard buildings which are incapable of being rehabilitated.

- Remove boarded and condemned property.
  - Eliminate blighting influences which impede potential development.
- (3) Develop affordable housing, including both homeownership and rental units, to individuals and families.
  - (4) Provide sufficient parking to meet the needs of the community.
  - (5) Provide new commercial opportunities and spaces for commercial development.
    - Revitalize/restore/renovate property in the area to create a safe, attractive and functional area
    - Improve the aesthetic and economic vitality of the business district
    - Contribute to the cultural and economic vitality of the neighborhood
    - Promote reinvestment, modernization and rehabilitation as needed
  - (6) Provide access to and from the Midtown Greenway to Lake Street.
  - (7) Provide public improvements and infrastructure as needed.
  - (8) Improve the tax base and tax revenue generating capacity of the City.

#### D. Types of Redevelopment Activities

The objectives of the Redevelopment Plan will be accomplished through the following activities: acquisition of properties and relocation of occupants, demolition, clearance and redevelopment, rehabilitation/renovation of existing structures, construction of buildings and other improvements, provision of affordable rental and homeownership units, project and public improvements suitable to the needs of the project, environmental remediation, parking, administration, and other related activities.

## II. Land Use Plan

### A. Land Use Map

The Land Use Map is included in this Redevelopment Plan as Exhibit #2. The Land Use Map reflects the general pattern of recommendations for future land use. The land use indicated is residential and commercial.

B. Land Use Provisions and Requirements

1. Permitted Uses

a. Residential uses shall conform to the Minneapolis Zoning Ordinance and generally limited to those areas specified as residential on the Land Use Map.

b. Commercial

Commercial uses shall conform to the Minneapolis Zoning Ordinance and shall be limited to those areas specified as commercial on the Land Use Map.

2. Additional Regulations and Controls or Restrictions to be Imposed on the Sale of Acquired Land

All new development on land acquired by the Agency shall conform to the applicable state and local codes and ordinances and the requirements of this Redevelopment Plan, including the provisions of the Minneapolis Zoning Ordinance. In cases where codes or ordinances are more restrictive than this Redevelopment Plan, the more restrictive will apply.

3. Period During Which Land Use Provisions and Requirements will be in Effect

The requirements and provisions of Section II. B. of this Redevelopment Plan shall apply to all of the properties acquired in the Project Area except where strict compliance thereto would in the judgment of the Agency either not be in the best interest of the Redevelopment Project or the City, or would not contribute to the achievement of the objectives of this Redevelopment Plan. These requirements shall remain in effect for twenty years from the date of conveyance of the disposition parcels.

III. Project Proposals



The developer of the East Phillips Commons Phase 1 Housing Project, Sherman Associates, Inc. is proposing new construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the East Phillips Commons Phase 1 Housing Project. The Housing Project will consist of homeownership and rental units, using a combination of local, regional and federal funds. Also included on the first level is an Early Childhood Resource Center with a multilingual daycare training center/business incubator for training future ethnically specific daycare providers.

Twenty-eight of the rental units will be affordable to persons at 50% of the median income and of those units, six will be available at 30% or below of the median income as prescribed in the Minnesota Affordable Housing Investment Fund (MARIF).

Future potential development will convert and rehabilitate a former vacant structure into a variety of new commercial uses focusing on the arts including, art studio space, retail space, office space, and rehearsal and storage space for HOTB. The rehabilitation of the Future Project may include seeking "historic designation". The Future Project also includes parking land, and will be used to help solve parking issues for the Project Area, HOTB and the Neighborhood.

A. Land Acquisition Map

Exhibit #3, attached.

B. Land Acquisition

1. List of Property that May Be Acquired

By including in this Redevelopment Plan a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the properties listed, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property.

**Property That May Be Acquired:**

**Address**

**PIN number**

**Owner**

Zhagui	2843 Bloomington Av S	35-029-24-44-0026	Jose Socarro Ortiz
	2845 Bloomington Av S	35-029-24-44-0025	Maria C. Zumba De
	2901 Bloomington Av S	35-029-24-44-0057	Kevin Johnson/Krishna Dorney
	2905 Bloomington Av S	35-029-24-44-0056	Edward L. Doll
	2909 Bloomington Av S	35-029-24-44-0055	Edward L. Doll
	2913 Bloomington Av S	35-029-24-44-0054	Edward L. Doll
	2917 Bloomington Av S	35-029-24-44-0053	Edward L. Doll
	2919 Bloomington Av S	35-029-24-44-0052	Carl R. Diamond
	2927 Bloomington Av S	35-029-24-44-0051	Carl R. Diamond
	2931 Bloomington Av S	35-029-24-44-0064	MCDA
	2937 Bloomington Av S	35-029-24-44-0205	Third Financial Corporation
	2941 Bloomington Av S	35-029-24-44-0061	Edward Puckett
	2840 16 <sup>th</sup> Av S	35-029-24-44-0023	Richard E. Stenger
	2844 16 <sup>th</sup> Av S	35-029-24-44-0024	Jason S. Geschwind
	2900 16 <sup>th</sup> Av S	35-029-24-44-0045	Truy Le & Lien Nguyen
	2908 16 <sup>th</sup> Av S	35-029-24-44-0046	Philip R. Owens
	2912 16 <sup>th</sup> Av S	35-029-24-44-0047	Sean C Walsh
	2916 16 <sup>th</sup> Av S	35-029-24-44-0048	Jesus F. Vega/Diana Vivanco
	2920 16 <sup>th</sup> Av S	35-029-24-44-0049	Oscar Cruz
	2924 16 <sup>th</sup> Av S	35-029-24-44-0050	Christopher A. Hervey
	2926 16 <sup>th</sup> Av S	35-029-24-44-0059	MCDA
	2930 16 <sup>th</sup> Av S	35-029-24-44-0060	Noe Arreguin

## 2. Conditions Under Which Property May Be Acquired

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use the power of eminent domain and its condemnation authority to acquire property identified as “property that may be acquired” when necessary.

### C. Rehabilitation

Property that is acquired under this Redevelopment Plan may be rehabilitated or sold for rehabilitation when such rehabilitation would serve to achieve the objectives of this Redevelopment Plan.

### D. Redevelopers' Obligations

The general requirements to be imposed upon the developers, their successors or assigns, will be established in development agreements between the Agency and each developer. Specific terms and conditions of a development agreement between the Agency and the

East Phillips Commons Phase 1 Housing Project developer, Sherman Associates, Inc., will be indicated in the development agreement.

#### IV. Relocation

The Agency accepts as binding its obligations under state and local law for relocation and will administer relocation services for families, individuals, and businesses to be displaced by public action. The State Law requires that: "Prior to approval by the Agency of any redevelopment plan, it shall be satisfied that there is a feasible method for the temporary relocation of families to be displaced from the Project Area and that there are available or will be provided, in the Project Area or in other areas not less desirable in regard to public utilities and public commercial facilities and at rents or prices within the financial means of the families displaced from the Project Area, decent, safe, and sanitary dwellings equal in number of such displaced families."

A copy of the Minneapolis Community Development Agency Relocation Plan has been attached as Exhibit #9 to this Plan.

#### V. Official Action to Carry Out the Redevelopment Plan

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027). In approving the Redevelopment Plan, the City Council is responsible for carrying out those elements of the Redevelopment Plan requiring official action by the local governing body for the City.

#### VI. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."


## Exhibit #1

Lake and Bloomington Redevelopment Plan Boundary Map goes here  
For viewing, please contact MCDA

Lake and Bloomington Redevelopment Plan Land Use Map goes here  
For viewing, please contact MCDA

Lake and Bloomington Redevelopment Plan Acquisition Map goes here  
For viewing, please contact MCDA

**Lake and Bloomington Redevelopment  
Plan Boundary Map  
May 10, 2002**

  
Boundary

# **CITIZEN PARTICIPATION REPORT**

## **Lake and Bloomington Redevelopment Plan**

**May 10, 2002**

Final plan documents will be sent to the East Phillips Improvement Corporation and to the Midtown Phillips NRP Committee, for a thirty day review period. These groups will be given the opportunity to review and comment on the Lake and Bloomington Redevelopment Plan prior to consideration of the Plan by the City Council and the Minneapolis Community Development Agency Board of Commissioners.

The Minneapolis Community Development Agency will continue to work with these groups throughout the implementation of the Redevelopment Plan.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY  
AFFIRMATIVE ACTION POLICY  
Lake and Bloomington Redevelopment Plan**

**May 10, 2002**

It is the policy of the Minneapolis Community Development Agency to provide equal employment opportunities without regard to race, color, national origin, relation, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the Minneapolis Community Development Agency will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the Minneapolis Community Development Agency Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.



**EXHIBIT # 6**

**ENVIRONMENTAL REVIEW  
Lake and Bloomington Redevelopment Plan**

**May 10, 2002**

The Minneapolis Community Development Agency will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

**PROJECT AREA REPORT**

**Lake and Bloomington Redevelopment Plan and the East Phillips Commons,  
Phase 1 Tax Increment Finance Plan  
May 10, 2002; revised May 20, 2002**

Findings for the Redevelopment Project

The Lake and Bloomington Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project was conducted in November 2001. It was found that the real property within the Redevelopment Project boundaries (the "Project Area") is characterized by significant blighting influences caused by the traffic congestion on East Lake Street, undersized lots for housing development, incompatible land uses, the age and condition of structures, all of which made it difficult to reuse much of the real property and which may have contributed to and prevented normal development of the land in the past. It was also found that with reasonable certainty, deficiencies exist in structures located within the boundaries of the Redevelopment Project. A survey of the buildings by the Agency indicated that most of the buildings surveyed are below standards contained in the Uniform Building Code applicable to new buildings. The Agency also determined that the buildings are marginal and structurally substandard when compared to standards established in the Tax Increment Financing Act, because the costs of repairs to comply with standards of the Uniform Building Code exceed 15% of the properties' replacement value.

The statutory definition for "blighted areas" include "buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community". The existing residential structures are obsolete for their present or continued use and are functionally obsolete. The structures lacked certain life safety factors, such as smoke detectors, elements of the Americans with Disabilities Act and obsolete mechanical and electrical systems essential for continued occupancy. Further, the residential and commercial buildings lack energy conservation standards essential for continued occupancy in order to be in compliance with the Uniform Building Code of Ordinances (see State Energy Code 2000, and Bulletin 80-1 Property Code). In addition several illegal conversions of property to uses not permitted in the City's Zoning Ordinance were observed.

The proposed Project Area includes 54 parcels totaling more than 10 acres of land with a total of 41 buildings including residential and commercial uses, and 10 vacant land parcels. The deterioration of the vacant parcels, most of which are zoned for residential use, undermines the value of the adjacent property. Additionally, there exists vacant residential structures which constitute a repository for debris, a fire hazard, and attract vagrants and criminal elements of the population. Furthermore, the vacant residential space is not only an uneconomic use of inner city real estate, but is technically by definition, a structurally substandard building condition (see "Spot Renewal" Minnesota Statutes, Section 469.012).

Observed indicators of blight include difficult public access, inadequate setback and side yard restricting the land use (preventing normal maintenance), debris, lack of or no off-street parking, vacant lots containing parked vehicles and outside storage, graffiti and noxious vegetation and brush, vermin infestation, and deterioration of the wall and roof surfaces, all found generally throughout the entire Project Area. The deleterious and inferior use of many of the properties and the high number of substandard structures adversely affects the predominantly residential use and character of the Project Area. The continued inferior use of property and substandard condition of structures may be expected to continue, primarily due to additional deterioration of occupied and vacant buildings, street hazards or lack of access to properties, congestion of streets due to inadequate space for the use, parking and servicing needs, traffic, service trucks, parked cars, or types of activities generated or attracted by the present combined residential and commercial use located on a heavily trafficked arterial intersection.

Factors also detrimental to the health, welfare and morals of the community observed during the assessment include loud music, public urination, and the intersecting problems of drug dealing, prostitution and gathering of homeless people. Street security is difficult when people engage in narcotic incidents, and panhandlers or suspicious persons and vagrants exhibit aggressive behavior. The proposed Project Area contains many properties exposed to hazardous traffic patterns, merging and "jockeying" vehicles on narrow streets, that lack adequate parking facilities. These conditions result in cars being parked on sidewalks, and impede the smooth flow of traffic in an area that lacks adequate infrastructure. All of these factors combine to disrupt and impede the flow of traffic and prohibit normal snow removal, particularly in the narrow angled alleys. Many commercial uses off-load trucks from the street due to inadequate off-street parking, and loading dock facilities which causes hazardous conditions for pedestrians, and insufficient space to maneuver trucks.

Staff who conducted the assessment observed vacant residential properties that contained broken windows and interior areas open to the elements, with damage caused by vandalism or disuse, dilapidated out buildings, and graffiti covered walls which must be corrected in accordance with city ordinance. Exterior inspections revealed the presence of the following blighting conditions: roof damage caused by ice damming and worn roofing materials, damaged siding and trim, broken storm

doors and windows, garage framing and doors out of plumb and in need of paint, trash on site, garage doors open directly onto the alley, and vacant commercial and residential buildings. The observed conditions are typical physical and functional obsolescence findings existing generally throughout the geographic area of East Lake Street and Bloomington Avenue with varying degrees of specificity.

#### Blight Findings for Redevelopment TIF District\*

Of the 22 parcels to be included in the TIF District, there are four which lie north of the proposed Midtown Greenway and 18 which lie south of the proposed Greenway. The north and south delineation comprise two separate non-contiguous areas in one tax increment finance district. It should be noted that both areas each qualify for inclusion in a TIF district on their own. Of the four parcels included in the northerly TIF district, three had improvements and/or buildings that were considered structurally substandard thereby qualifying this portion of the project for inclusion in a TIF district, according to Subdivision 10 (b) which states "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance; or were not in compliance with the building code applicable to new buildings, or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of similar square footage and same type of building on the site. One of the four parcels was occupied by a marginal structure.

*\*"City of Minneapolis Property Information, Police Incidents" reports high numbers of police call/incidents for the parcels to be included in the TIF District. The number of police calls for these parcels for 2001 totaled 265, and the number to date this year totals 80; the State of the City Report 2001 reports the Third Precinct as having nearly 30% of all calls dispatched by the Precinct for the year 2000.*

The remaining 18 parcels included in the non-contiguous TIF district lie south of E. 29<sup>th</sup> Street and the proposed Midtown Greenway and include vacant lots, boarded and vacant buildings, substandard structures, and two marginal properties. The substandard structures were physically obsolete, deteriorated, were not feasible for rehabilitation to accommodate appropriate land use, contained defects or deficiencies in structural elements, essential utilities and facilities, were in need of major repair, contained broken and boarded windows, did not meet the energy code, exhibited infestation, and were considered to be poorly maintained premises. The marginal properties had minor repairs and code violations that did not exceed the thresholds to be considered structurally substandard. When permitted, internal and external inspections were conducted by MCDA staff on the properties to be included in the TIF District. Documentation supporting these findings is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.

**Preliminary Budget and Method of Financing  
Lake and Bloomington Redevelopment Plan  
May 10, 2002; Revised May 20, 2002**

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**Description of Housing Development**

Sherman Associates, Inc. is proposing the construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 1,600 square feet each with a focus toward the artist community, and 30 rental apartments at approximately 900 square feet average for a total of 27,000 square feet. In addition, 4,400 square feet of commercial/retail spaces will be a part of the project. The project will consist of homeownership and rental units, using a combination of local, regional and federal funds. Also included on the first level is an Early Childhood Resource Center with a multilingual daycare training center/business incubator for training future ethnically specific daycare providers.

The 2900 block of Bloomington and 16<sup>th</sup> Avenue contains a large number of absentee landlord, boarded and condemned houses as well as deteriorated “crack drug” houses on these blocks. This situation has created a place for a flourishing drug trade and prostitution. The redevelopment of this block would help to resolve the crime problem, provide clientele and workers for the businesses, create new town home units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing.

The plan would also add a commercial corner to the north end of the block nearest the Greenway as well as live/work light commercial along Bloomington itself, providing some new commercial opportunities and spaces for their development. The plan would add additional parking and greening in back of the stores on Lake Street. The area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

***Developer Information***

Sherman Associates, Inc. specializes in the design, construction and financing of quality housing opportunities in Minnesota, North and South Dakota and Wisconsin. Sherman Associates has developed and rehabilitated over 3,000 multifamily and single family homes since 1978. These include both a diversified range of luxurious single family homes and townhouses, and over 1,350 quality tax credit housing units.

### Financing Overview

Sources of funds include tax increment financing, GAP funding sources including Hennepin County Affordable Housing Funds, Metropolitan Council Livable Communities Funds, Empowerment Zone Funds, NRP Affordability Funds, Employer Assistance Funds, NRP Corridor Funds, Minnesota Housing Finance Agency (MHFA) Affordability Funds, MHFA (MARIF) Gap for Affordable Apartments funds, Multifamily Housing Revenue Bonds, and other sources not yet identified.

### TIF District Budget

<b>Sources</b>	Up-Front	Over Time
Developer Funds	866,500	---
Tax Increment	---	2,361,950
<b><u>Total Sources. . . . .</u></b>	<b>\$866,500</b>	<b>\$2,361,950</b>
<b><u>Uses</u></b>		
Acquisition	866,500	---
Relocation	0	---
Demolition	0	---
Environmental Remediation	0	---
Building Rehabilitation	0	---
Pay-As-You-Go Note Principal	---	866,500
Pay-As-You-Go Note Interest	---	1,242,831
MCDA Administration	---	236,195*
<b><u>Total Uses. . . . .</u></b>	<b>\$866,500</b>	<b>\$2,345,526</b>

*\*Tax Increment not pledged as a "source"*

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY**

**RELOCATION POLICY\***

**Lake and Bloomington Redevelopment Project**

May 10, 2002

\*includes information for both residential and business relocation, where applicable

**I. Description of Administrative Organization**

**A. Relocation Agency - Minneapolis Community Development Agency**

The Minneapolis Community Development Agency in and for the City of Minneapolis will administer relocation services for families, individuals and businesses to be displaced from property acquired by the Agency.

**B. Ability-to-Pay Standards**

**1) Tenants**

No family shall be required to accept referral to a dwelling unit if the gross rental charge for such unit exceeds 30 percent of their monthly income.

**2) Home Buyers**

It shall be the policy of the relocation staff to consider the following in the purchase of a home: The cost of the house should be consistent with the current ability to pay standards set forth by local lending institutions.

**C. Environmental Standards**

Referrals to dwelling accommodations shall be reasonably accessible to the place of employment of the primary wage earner and in an area which is generally not less desirable with regard to public facilities and commercial facilities than those existing in the area from which the family is being displaced. A comparable dwelling unit must be in a location not subjected to unreasonable adverse environmental conditions, natural or man-made.

**II. Relocation Policy**

It is the Agency's relocation policy that:



- A. Families and individuals to be displaced under this program have full opportunity to occupy standard housing that is within their financial means and adequate to their needs; is reasonably accessible to their places of employment or potential employment, transportation, and other commercial and public facilities; and is available on a non-discriminatory basis.
- B. Business concerns and non-profit organizations to be displaced be provided maximum assistance to aid in their satisfactory re-establishment with a minimum of delay and loss of earnings.
- C. Full relocation benefits will be provided to displaced businesses. Assistance will be provided in the preparation of claims for relocation benefits.
- D. Project or program activities to be planned and carried out in a manner that minimizes hardship to site occupants and that involves the smallest magnitude of displacement consonant with the needs of the project or program and the persons to be displaced.
- E. Relocation be carried out in a manner that will promote maximum choice within the community's total housing supply; lessen racial, ethnic, and economic concentrations; and facilitate desegregation of racially inclusive patterns of occupancy and use of public and private facilities.
- F. Service be provided to assure that the relocation process will not result in different or separate treatment because of race, color, religion, national origin, sex, or source of income.
- G. Persons to be displaced be provided full information relating to program or project activities which may have an impact on the residents of the project or program area.
- H. Arrangements to be made to provide relocation assistance in accordance with the needs of those to be displaced, including social services counseling, guidance, assistance, and referrals, as well as rehousing.

Inspection will be made of all relocation resources to determine that the dwelling units are at a minimum in accordance with the Housing Maintenance Code of the City of Minneapolis.

### III. Assistance in Obtaining Housing

#### A. Listings

The following arrangements will be made with sources of existing private and public housing to the extent required to meet relocation needs.

### 1) Private Housing

Notification of vacancies will be obtained through utilization of the following sources as needed:

- Advertisements in newspapers;
  - Soliciting the cooperation of inspectors who are familiar with standard housing accommodations;
  - Windshield surveys of neighborhoods for vacancies; and
  - Soliciting cooperation of landlords at the time inspections are made to notify the Agency of future vacancies.
- 2) Apparently eligible applicants for public housing will be assisted in making application for low-rent public housing.

Families and individuals displaced will be accorded a priority in public housing.

- 3) Housing units which are scheduled for clearance under other governmental activity shall not be considered for referral.
- 4) Displacees will be encouraged to seek assistance with regard to inspection from the relocation counselor before moving. If the site occupant makes a self-move to substandard housing, the relocation counselor shall offer further assistance and encouragement to secure standard accommodations.
- 5) The Agency shall provide counseling and assistance to prospective homeowners.

### B. Relocation Office

The Relocation Office, located in Suite 600, Crown Roller Mill, 105 - 5th Avenue South, Minneapolis, Minnesota, 55401-2538, will be staffed by supervisory and technical personnel. Office hours are from 8:00 a.m. to 4:30 p.m. Monday through Friday, but additional hours will be scheduled to accommodate persons unable to visit the relocation office during normal business hours.

### C. Informational Program

Copies of the Informational Statement for families and individuals and an informational brochure for businesses are available for examination from Agency staff. The appropriate information is provided to relocatees.

#### IV. Eviction Policy

No person lawfully occupying property will be required to move without at least 90 days' written notice. Eviction is a rare occurrence, and results from one or more of the following situations:

- A. The failure to pay rent, except in those cases where the failure to pay is based upon the Agency's failure to keep the premises in habitable condition.
- B. Harboring a nuisance or use of the premises for illegal purposes.
- C. A material breach of the rental agreement.
- D. Refusal to accept one of a reasonable number of offers of accommodations meeting approved relocation standards.
- E. The eviction is required by state or local law and cannot be prevented by the Agency.

#### V. Affirmative Action and Equal Opportunity

In carrying out relocation activities, the Agency shall take affirmative actions to provide displaced families and individuals with maximum opportunities of selecting replacement housing within the community's total housing supply.

#### VI. Grievance Procedure

Persons and businesses aggrieved by the relocation process may initiate a grievance procedure as provided in Public Law 100-17 for the following reasons:

- A disagreement regarding the determination of eligibility for a relocation payment or the amount of the payment; or
- A disagreement regarding the adequacy of replacement housing referred by Agency staff to displaced persons or businesses.

A brief description of the grievance procedure follows:

- The aggrieved person may request a grievance review by the Agency's Executive Director or his designated representative (other than the staff person who was working with the aggrieved).

- An oral presentation by the aggrieved may be made in the company of an advisor or attorney to the Agency representative.
- The Agency representative will prepare a written finding.
- If the finding of the hearing officer is not satisfactory, judicial review may be sought.

All displaced persons and businesses receive information regarding this grievance procedure.

## VII. Project Relocation Plan

There are 22 properties within the project area designated as property that may be acquired by the Agency at this time. It is not known how many displacees will result from the execution of this plan, however, all will receive relocation services and benefits for which they qualify, as discussed within the above sections of this relocation plan.

A. Residential Relocation - see paragraph under Section VII

B. Business Relocation - see paragraph under Section VII

The Site Plan goes here. To view the Site Plan, Call MCDA

**MINNEAPOLIS COMMUNITY  
DEVELOPMENT AGENCY**

**East Phillips Commons,  
Phase 1  
Tax Increment Finance Plan**

**May 10, 2002; Revised May 20, 2002**

Prepared by Project Planning and Finance Department  
MCDA, 105 5th Avenue South, Minneapolis, Minnesota 55401

**East Phillips Commons, Phase 1**  
**Tax Increment Finance Plan**  
**May 10, 2002; Revised May 20, 2002**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
  - A. Description of Development Program
  - B. Property That May Be Acquired
  - C. Development Activity For Which Contracts Have Been Signed
  - D. Other Development Activity
- IV. Description of Financing
  - A. Project Costs
  - B. Bonded Indebtedness To Occur
  - C. Sources of Revenue
  - D. Original Net Tax Capacity
  - E. Estimated Captured Net Tax Capacity at Completion
  - F. Duration of District
  - G. Fiscal Disparities Election
  - H. Original Tax Capacity Rate
  - I. Permit Activity and Prior Planned Improvements
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

*Exhibits*

- 1) Boundary/Acquisition Map
- 2) Project Area Report and Documentation of Blight
- 3) Site Plan

# **East Phillips Commons, Phase 1 Tax Increment Finance Plan**

**May 10, 2002; Revised May 20, 2002**

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## ***Introduction***

Two plan documents have been prepared that are related to a proposed rental and homeownership project: this East Phillips Commons, Phase 1 Tax Increment Finance Plan (the "TIF Plan"), and the Lake and Bloomington Redevelopment Plan (collectively, the "Plans").

The Lake and Bloomington Redevelopment Plan authorizes the creation of a new tax increment finance TIF district as a tool for carrying out the redevelopment activities described therein.

This TIF Plan provides for the establishment of a new redevelopment TIF district: the "East Phillips Commons, Phase 1 Tax Increment Financing District (the "TIF District"). This TIF Plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment TIF district and a budget for expenditures within the boundaries of the Lake and Bloomington Project Area (the "Project Area"). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the Project Area, in addition to MCDA administration costs.

## **TAX INCREMENT FINANCE PLAN**

### **I. Tax Increment District Boundary**

The TIF District is being established within and under the authority of the Lake and Bloomington Redevelopment Project. The property to be included in the proposed TIF District includes twenty-two parcels, including streets, alleys and public rights of way. The tax parcels to be included in the first phase of the TIF Plan are:

<b><u>Address</u></b>	<b><u>PIN number</u></b>
1. 2843 Bloomington Av S	35-029-24-44-0026
2. 2845 Bloomington Av S	35-029-24-44-0025
3. 2901 Bloomington Av S	35-029-24-44-0057
4. 2905 Bloomington Av S	35-029-24-44-0056
5. 2909 Bloomington Av S	35-029-24-44-0055
6. 2913 Bloomington Av S	35-029-24-44-0054
7. 2917 Bloomington Av S	35-029-24-44-0053

8.	2919 Bloomington Av S	35-029-24-44-0052
9.	2927 Bloomington Av S	35-029-24-44-0051
10.	2931 Bloomington Av S	35-029-24-44-0064
11.	2937 Bloomington Av S	35-029-24-44-0205
12.	2941 Bloomington Av S	35-029-24-44-0061
13.	2840 16 <sup>th</sup> Av S	35-029-24-44-0023
14.	2844 16 <sup>th</sup> Av S	35-029-24-44-0024
15.	2900 16 <sup>th</sup> Av S	35-029-24-44-0045
16.	2908 16 <sup>th</sup> Av S	35-029-24-44-0046
17.	2912 16 <sup>th</sup> Av S	35-029-24-44-0047
18.	2916 16 <sup>th</sup> Av S	35-029-24-44-0048
19.	2920 16 <sup>th</sup> Av S	35-029-24-44-0049
20.	2924 16 <sup>th</sup> Av S	35-029-24-44-0050
21.	2926 16 <sup>th</sup> Av S	35-029-24-44-0059
22.	2930 16 <sup>th</sup> Av S	35-029-24-44-0060

(See Boundary Map, Exhibit 1).

The Project Area Report, which provides a more detailed description of the existing property conditions, and documents the eligibility of this site for the establishment of a Redevelopment TIF District, is appended as Exhibit #2 to this TIF Plan.

## **II. Statement of Objectives**

The objectives for this TIF Plan are described in the Lake and Bloomington Redevelopment Plan in Section B. 3. and are listed below:

The primary project objective will be to identify and carry out housing and commercial redevelopment activities in the Project Area which will revitalize the neighborhood. Toward this end, the following goals have been identified:

- (1) Facilitate the development and redevelopment of underutilized and/or blighted property in the project area
- (2) Eliminate blight, incompatible uses, and blighting influences
  - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized.
  - Remove structurally substandard buildings which are incapable of being rehabilitated.
  - Remove boarded and condemned property.



- Eliminate blighting influences which impede potential development.
- (3) Develop affordable housing, including both homeownership and rental units, to individuals and families.
- (4) Provide sufficient parking to meet the needs of the community.
- (5) Provide new commercial opportunities and spaces for commercial development.
  - Revitalize/restore/renovate property in the area to create a safe, attractive and functional area
  - Improve the aesthetic and economic vitality of the business district
  - Contribute to the cultural and economic vitality of the neighborhood
  - Promote reinvestment, modernization and rehabilitation as needed
- (6) Provide access to and from the Midtown Greenway to Lake Street.
- (7) Provide public improvements and infrastructure as needed.
- (8) Improve the tax base and tax revenue generating capacity of the City.

This TIF Plan authorizes public redevelopment activity intended to assist with the implementation of the “East Phillips Commons, Phase 1 Housing Project”, including property acquisition costs, administration, and other related activities.

### **III. Development Program**

#### **A. Description of Development Program**

The developer of East Phillips Commons, Phase 1, Housing Project (the “Housing Project”) Sherman Associates, Inc., is proposing construction of 32 townhomes at approximately 1,200 square feet each, for a total of 38,400 square feet, 4 live-work ownership units at 900 square feet each, and 30 rental apartments. In addition, 4,400 square feet of commercial/retail spaces will be a part of the Housing Project. The Housing Project will consist of homeownership and rental units, using a combination of local, regional and federal funds. Also included on the first level is

an Early Childhood Resource Center with a multilingual daycare training center/business incubator for training future ethnically specific daycare providers.

The Housing Project is located on portions of approximately one and one-half blocks north of East Lake Street between Bloomington Avenue South and 16<sup>th</sup> Avenue South. At this time, a TIF District is being created for the Housing Project. The Housing Project consists of a rental and homeownership project consisting of 32 townhomes and 30 rental apartments, and includes 4 live-work ownership units. In addition there will be some commercial/retail spaces as part of the project.

The 2900 block of Bloomington and 16<sup>th</sup> Avenue contains a large number of boarded and condemned houses, absentee owners, as well as deteriorated “crack drug” houses on this block and adjacent blocks. This situation has created a place for a flourishing drug trade and prostitution. The redevelopment of this block would help to resolve the crime problem\*, provide clientele and workers for new and nearby retail/commercial, and create new town home units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. Over 60 total units will be created, which will include both homeownership and rental units, adding significantly to the critically needed common worker housing in the area.

*\*“City of Minneapolis Property Information, Police Incidents” reports high numbers of police call/incidents for the parcels to be included in the TIF district. The number of police calls for these parcels for 2001 totaled 265, and the number to date this year totals 80; the State of the City Report 2001 reports the Third Precinct as having nearly 30% of all calls dispatched by the Precinct for the year 2000.*

Reports from the Family Housing Fund, the State of the City 2001, published January 2002, “A Dream Deferred: the 50/30 Housing Research Initiative” published by the Urban Coalition and the Roy Wilkins Center (University of Minnesota) all support the need for affordable housing. In the Wilder Research Center’s Metrotrend Report, residents cited affordable housing as their number one concern in the Twin Cities. Home sales data for the first quarter of 2001, again, reflect a significant increase in sales prices over the past five years. Average single-family sales prices increased 21.6 percent over the previous year and by 53.1 percent since 1997. First quarter 2001 saw the average sale price for a single family detached home increase to \$163,967 dollars. Median sale price for a single family detached home in Minneapolis rose to \$127,009, a 7 percent increase over the previous year. Sales volume decreased to 471 homes sold in the first quarter compared to 849 for the same period in 2000. This reflects a very tight housing market in Minneapolis. Further, the median sales prices of existing homes grew 61 percent for the state between 1990 and 1999. The Minneapolis percent increase was 43 percent for the same time period. In addition, there is a high percentage of rental housing in the Phillips community. The most recent State of the City Report 2001 shows the Phillips community was one of four south Minneapolis communities that reported the largest decrease in units available (-118.8 percent decrease). This illustrates how extremely tight the rental market

was in the year 2000. Average rental costs for an apartment continued to increase during the first half of 2001. Rental survey data show rental costs increased for all unit types except studio. One-bedroom apartments increased by 12.4 percent. Large apartments with two or more bedrooms increased by 8.2 percent from the first half of 2000. Median rental costs increased to \$742, a 15.8 percent increase over the 2000 first half median. The average rent for a Minneapolis apartment increased to \$815 dollars, a 18.7 percent increase from the first half of 2000. Average rents ranged from \$502 for a studio/efficiency unit to \$710 for a one-bedroom unit and \$967 for units with two or more bedrooms. Three bedroom units climbed to \$1,092 per month. Affordability, housing condition, and neighborhood livability remain top concerns for most renters, particularly for families with children who have very limited income and very limited housing choices.

Finding any type of decent, affordable housing, whether rented or owned, has become increasingly elusive for many people in the Twin Cities. Much of the problem stems from a shortage of lower-priced housing combined with the failure of incomes to keep pace with rising housing costs. \*Homeownership provides important financial security and also contributes to family independence, security and self-dignity. Families who own their own homes are more likely to maintain and improve the property where they reside, collaborate with their neighbors and participate in the life of the community, improve their neighborhoods, and participate in the civic and political process.

*\*\*A Dream Deferred: The 50/30 Housing Research Initiative Final Report*

The TIF District and Project Area also attempt to provide the beginning of access to and from the Midtown Greenway to Lake Street and in doing so would add Greenway users to the commerce of the area. The TIF District and Project Area also attempt to add additional parking and greening in back of the stores on Lake Street. The Project Area is close to the Lake Street LRT Station and so would add riders to the LRT and a convenience amenity for the new homeowners.

#### B. Property That May Be Acquired

By including in this TIF Plan a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the properties listed, or property interests therein, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property or property interests therein.

<b><u>Address</u></b>	<b><u>PIN number</u></b>	<b><u>Owner</u></b>
2843 Bloomington Av S	35-029-24-44-0026	Jose Socarro Ortiz
2845 Bloomington Av S	35-029-24-44-0025	Maria C. Zumba De

Zhagui

2901 Bloomington Av S Dorney	35-029-24-44-0057	Kevin Johnson/Krishna
2905 Bloomington Av S	35-029-24-44-0056	Edward L. Doll
2909 Bloomington Av S	35-029-24-44-0055	Edward L. Doll
2913 Bloomington Av S	35-029-24-44-0054	Edward L. Doll
2917 Bloomington Av S	35-029-24-44-0053	Edward L. Doll
2919 Bloomington Av S	35-029-24-44-0052	Carl R. Diamond
2927 Bloomington Av S	35-029-24-44-0051	Carl R. Diamond
2931 Bloomington Av S	35-029-24-44-0064	MCDA
2937 Bloomington Av S	35-029-24-44-0205	Third Financial
Corporation		
2941 Bloomington Av S	35-029-24-44-0061	Edward Puckett
2840 16 <sup>th</sup> Av S	35-029-24-44-0023	Richard E. Stenger
2844 16 <sup>th</sup> Av S	35-029-24-44-0024	Jason S. Geschwind
2900 16 <sup>th</sup> Av S	35-029-24-44-0045	Truy Le & Lien Nguyen
2908 16 <sup>th</sup> Av S	35-029-24-44-0046	Philip R. Owens
2912 16 <sup>th</sup> Av S	35-029-24-44-0047	Sean C Walsh
2916 16 <sup>th</sup> Av S	35-029-24-44-0048	Jesus F. Vega/Diana
Vivanco		
2920 16 <sup>th</sup> Av S	35-029-24-44-0049	Oscar Cruz
2924 16 <sup>th</sup> Av S	35-029-24-44-0050	Christopher A. Hervey
2926 16 <sup>th</sup> Av S	35-029-24-44-0059	MCDA
2930 16 <sup>th</sup> Av S	35-029-24-44-0060	Noe Arreguin

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use its condemnation authority to acquire property identified as “property that may be acquired” only if the developer is unable to acquire the property or property interests therein directly.

**C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur**

The MCDA is currently negotiating a development agreement with Sherman Associates, Inc. for Phase 1 of the Housing Project.

**D. Other Development Activity**

Phase 2 of the Housing Project will be carried out at a later date within the boundaries of the TIF District. It is anticipated that a separate TIF district will be created for other portions of the Project Area.

**IV. Description of Financing**

The purpose of this TIF plan is to authorize public redevelopment activities and expenditures to assist with the East Phillips Commons, Phase 1 Housing Project. Anticipated public redevelopment activities may include property acquisition costs, administration, and other related activities.

Sources of funds include tax increment financing, GAP funding sources including Hennepin County Affordable Housing Funds, Metropolitan Council Livable Communities Funds, Empowerment Zone Funds, NRP Affordability Funds, Employer Assistance Funds, NRP Corridor Funds, Minnesota Housing Finance Agency (MHFA) Affordability Funds, MHFA (MARIF) Gap for Affordable Apartments funds, Multifamily Housing Revenue Bonds, and other sources not yet identified.

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the Agency and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

#### A. Phase 1 Housing Project Costs

##### **TIF District Budget**

<b>Sources</b>	<b>Up-Front</b>	<b>Over Time</b>
Developer Funds	866,500	---
Tax Increment	---	2,361,950
<b>Total Sources. . . . .</b>	<b>\$866,500</b>	<b>\$2,361,950</b>
<b>Uses</b>		
Acquisition	866,500	---
Relocation	0	---
Demolition	0	---
Environmental Remediation	0	---
Building Rehabilitation	0	---
Pay-As-You-Go Note Principal	---	866,500
Pay-As-You-Go Note Interest	---	1,242,831
MCDA Administration	---	236,195*
<b>Total Uses. . . . .</b>	<b>\$866,500</b>	<b>\$2,345,526</b>

*\*Tax Increment not pledged as a "source"*

#### B. Bonded Indebtedness to be Incurred

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the new development to be constructed by the developer. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

#### C. Sources of Revenue

Tax increment generated within the East Phillips Commons, Phase 1 TIF District will be a source of public funds used to pay a portion of public redevelopment costs associated with the East Phillips Commons, Phase 1 Housing Project. Other sources of funds to pay public redevelopment costs may include State and regional grants, Metropolitan Council LCDA funds, Hennepin County funds, Ventura Village NRP Commercial Corridor Pool Program Funds, MHFA Super RFP funds, Empowerment Zone Funds, MHFA Urban Indian Program Funds, and other sources that have not yet been identified.

#### D. Original Net Tax Capacity

The 2001 estimated market value of the tax parcels included is \$1,520,400. This will result in an original net tax capacity of approximately \$16,724.

#### E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the redevelopment it is anticipated that the estimated market value of taxable property in the District will increase from \$1,520,400 to approximately \$7,797,000. This represents an increase of \$6,276,600 and will generate a total net tax capacity of approximately \$83,870, and an estimated captured net tax capacity of \$67,146.

Based upon a total local tax rate of approximately 145%, this will generate an estimated annual gross tax increment payment of \$97,362 (excluding deduction for State Auditor Fee).

#### F. Duration of District

The East Phillips Commons, Phase 1 TIF District is a Redevelopment TIF District. Tax increment can be paid to the MCDA for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

#### G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this TIF District be taken from outside the TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

#### H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2002. For project and impact purposes, a total tax rate of 147.663% has been used.

#### I. Permit Activity and Prior Planned Improvements

The TIF District does not include any “prior planned improvements” as that term is described in Minnesota Statutes, Section 469.177. Subd. 4.

The letter requesting certification by Hennepin County of the East Phillips Commons, Phase 1 TIF District will be accompanied by a list of all of the building permits issued for the properties included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

### V. Type of Tax Increment Financing District

The proposed TIF District is a “Redevelopment District” as defined in Minnesota Statutes Section 469.174 Subdivision 10(a) (1):

“Redevelopment district” means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

- (1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance"

Additional information about the physical conditions in the proposed TIF District and the determination by the Agency that the real property proposed for inclusion within the TIF District satisfies the statutory findings for eligibility of this area for inclusion as a “Redevelopment TIF District” can be found in the Project Area Report and Documentation of Blight, which is appended as Exhibit 3 to this TIF Plan.

## VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development described herein, as the Housing Project would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

<b><i>Taxing Jurisdictions</i></b>	<b>Preliminary Tax Capacity Rate Payable 2002</b>	<b>Property Tax Revenues Resulting from \$67,146 Captured Tax Capacity</b>
City of Minneapolis	59.054	\$39,652
Hennepin County	44.748	\$30,046
Special School District #1	32.961	\$ 22,132
Other Taxing Jurisdictions	<del>10.900</del>	<del>\$ 7,319</del>
<b>Total</b>	147.663%	\$99,150

## VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

The Project will eliminate inconsistent uses and blighted and vacant parcels, result in the provision of needed affordable housing units, provide needed parking, assist in the revitalization of the 29<sup>th</sup> Street Corridor, and provide and encourage



development that includes improvements to the existing transit options. Revenue generated from the project is not sufficient to fully amortize the cost of acquisition, demolition and construction. The 2900 block of Bloomington and 16<sup>th</sup> Avenue contains a large number of absentee landlord, boarded and condemned houses as well as deteriorated “crack drug” houses on this block and adjacent blocks. This situation has created a place for a flourishing drug trade and prostitution. The redevelopment of this block would help to resolve the crime problem, provide clientele and workers for nearby retail and commercial, and create new townhome units, several mixed-use residential/commercial units and a possibility for some senior and handicapped housing. The total number of units to be created is projected to be over 60, including both market rate and affordable housing.

Reports from the Family Housing Fund, the State of the City 2001, published January 2002, “A Dream Deferred: the 50/30 Housing Research Initiative” published by the Urban Coalition and the Roy Wilkins Center (University of Minnesota), and other reports, all support the need for affordable housing in the City of Minneapolis (See Section III. A.).

Therefore, it is the opinion of the City of Minneapolis that the proposed redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on page 14 of this TIF Plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

## **VIII. Modifications to Tax Increment Finance Plans**

This TIF Plan may be modified, provided that the Agency and City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4.

This TIF Plan reflects the establishment of the East Phillips Commons, Phase 1 Tax Increment Financing District.

Table of Market Value Test and Cash Flow Assumptions goes here

# East Phillips Commons TIF District

## Valuation and Tax Increment Assumptions

	Pay 2003	Pay 2004	Pay 2005
Total Estimated Market Value (EMV)	\$1,596,419	\$3,898,500	\$7,797,000
Less: Original EMV	<u>1,520,400</u>	<u>1,520,400</u>	<u>1,520,400</u>
Captured EMV	\$76,019	\$2,378,100	\$6,276,600
Total Net Tax Capacity (NTC)	\$17,161	\$41,898	\$83,870
Less: Original NTC Captured	<u>16,724</u>	<u>16,724</u>	<u>16,724</u>
NTC	\$437	\$25,174	\$67,146
Times: Projected Total Tax Rate	<u>145.000%</u>	<u>145.000%</u>	<u>145.000%</u>
Gross Tax Increment	\$634	\$36,502	\$97,362
Less: State Auditor's Fee (.25%)	<u>2</u>	<u>91</u>	<u>243</u>
Tax Increment Distributed to MCDA	\$632	\$36,411	\$97,119

## 25 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To MCDA
-	2001	\$0
-	2002	0
1	2003	632
2	2004	36,411
3	2005	97,119
4	2006	97,119
5	2007	97,119
6	2008	97,119
7	2009	97,119
8	2010	97,119
9	2011	97,119
10	2012	97,119
11	2013	97,119
12	2014	97,119
13	2015	97,119
14	2016	97,119
15	2017	97,119
16	2018	97,119
17	2019	97,119
18	2020	97,119
19	2021	97,119
20	2022	97,119
21	2023	97,119
22	2024	97,119
23	2025	97,119
24	2026	97,119
25	2027	97,119
26	2028	<u>97,119</u>
		\$2,367,899
P.V. @ 5.00%		\$1,189,664

## Market Value Test

### Analysis Required by M.S. Section 469.175. Subd. 3 (2)

- (1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":
  - (a) Projected estimated market value without the use of tax increment \$1,520,400
  - (b) Original estimated market value 1,520,400
  - (c) Increased estimated market value without the use of tax increment = (a) - (b) \$0
- (2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":
  - (d) Increase in the estimated market value of the completed development. \$6,276,600
  - (e) Present value of the projected tax increment for the maximum duration of the district - 1,189,664
  - (f) Difference = (d) - (e) \$5,086,936
- (3) Since (c) is less than (f), the proposed development or redevelopment passes the test.

East Phillips Commons, Phase 1 TIF District Boundary Map goes here  
To view this map, contact MCDA

## PROJECT AREA REPORT

### **Lake and Bloomington Redevelopment Plan and The East Phillips Commons, Phase 1 Tax Increment Finance Plan May 10, 2002; revised May 20, 2002**

#### Findings for the Redevelopment Project

The Lake and Bloomington Redevelopment Project (the "Redevelopment Project") qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project was conducted in November 2001. It was found that the real property within the Redevelopment Project boundaries (the "Project Area") is characterized by significant blighting influences caused by the traffic congestion on East Lake Street, undersized lots for housing development, incompatible land uses, the age and condition of structures, all of which made it difficult to reuse much of the real property and which may have contributed to and prevented normal development of the land in the past. It was also found that with reasonable certainty, deficiencies exist in structures located within the boundaries of the Redevelopment Project. A survey of the buildings by the Agency indicated that most of the buildings surveyed are below standards contained in the Uniform Building Code applicable to new buildings. The Agency also determined that the buildings are marginal and structurally substandard when compared to standards established in the Tax Increment Financing Act, because the costs of repairs to comply with standards of the Uniform Building Code exceed 15% of the properties' replacement value.

The statutory definition for "blighted areas" include "buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community". The existing residential structures are obsolete for their present or continued use and are functionally obsolete. The structures lacked certain life safety factors, such as smoke detectors, elements of the Americans with Disabilities Act and obsolete mechanical and electrical systems essential for continued occupancy. Further, the residential and commercial buildings lack energy conservation standards essential for continued occupancy in order to be in compliance with the Uniform Building Code of Ordinances (see State Energy Code 2000, and Bulletin 80-1 Property Code). In addition several illegal conversions of property to uses not permitted in the City's Zoning Ordinance were observed.

The proposed Project Area includes 54 parcels totaling more than 10 acres of land with a total of 41 buildings including residential and commercial uses, and 10 vacant land parcels. The deterioration of the vacant parcels, most of which are zoned for residential use, undermines the value of the adjacent property. Additionally, there exists vacant residential structures which constitute a repository for debris, a fire hazard, and attract vagrants and criminal elements of the population. Furthermore, the vacant residential space is not only an uneconomic use of inner city

real estate, but is technically by definition, a structurally substandard building condition (see “Spot Renewal” Minnesota Statutes, Section 469.012).

Observed indicators of blight include difficult public access, inadequate setback and side yard restricting the land use (preventing normal maintenance), debris, lack of or no off-street parking, vacant lots containing parked vehicles and outside storage, graffiti and noxious vegetation and brush, vermin infestation, and deterioration of the wall and roof surfaces, all found generally throughout the entire Project Area. The deleterious and inferior use of many of the properties and the high number of substandard structures adversely affects the predominantly residential use and character of the Project Area. The continued inferior use of property and substandard condition of structures may be expected to continue, primarily due to additional deterioration of occupied and vacant buildings, street hazards or lack of access to properties, congestion of streets due to inadequate space for the use, parking and servicing needs, traffic, service trucks, parked cars, or types of activities generated or attracted by the present combined residential and commercial use located on a heavily trafficked arterial intersection.

Factors also detrimental to the health, welfare and morals of the community observed during the assessment include loud music, public urination, and the intersecting problems of drug dealing, prostitution and gathering of homeless people. Street security is difficult when people engage in narcotic incidents, and panhandlers or suspicious persons and vagrants exhibit aggressive behavior. The proposed Project Area contains many properties exposed to hazardous traffic patterns, merging and “jockeying” vehicles on narrow streets, that lack adequate parking facilities. These conditions result in cars being parked on sidewalks, and impede the smooth flow of traffic in an area that lacks adequate infrastructure. All of these factors combine to disrupt and impede the flow of traffic and prohibit normal snow removal, particularly in the narrow angled alleys. Many commercial uses off-load trucks from the street due to inadequate off-street parking, and loading dock facilities which causes hazardous conditions for pedestrians, and insufficient space to maneuver trucks.

Staff who conducted the assessment observed vacant residential properties that contained broken windows and interior areas open to the elements, with damage caused by vandalism or disuse, dilapidated out buildings, and graffiti covered walls which must be corrected in accordance with city ordinance. Exterior inspections revealed the presence of the following blighting conditions: roof damage caused by ice damming and worn roofing materials, damaged siding and trim, broken storm doors and windows, garage framing and doors out of plumb and in need of paint, trash on site, garage doors open directly onto the alley, and vacant commercial and residential buildings. The observed conditions are typical physical and functional obsolescence findings existing generally throughout the geographic area of East Lake Street and Bloomington Avenue with varying degrees of specificity.

#### Blight Findings for Redevelopment TIF District\*

Of the 22 parcels to be included in the TIF District, there are four which lie north of the proposed Midtown Greenway and 18 which lie south of the proposed Greenway. The north and south delineation comprise two separate non-contiguous areas in one tax increment finance district. It should be noted that both areas each qualify for inclusion in a TIF district on their own. Of the four parcels included in the northerly TIF district, three had improvements and/or buildings that were

considered structurally substandard thereby qualifying this portion of the project for inclusion in a TIF district, according to Subdivision 10 (b) which states “structurally substandard” shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance; or were not in compliance with the building code applicable to new buildings, or could be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of similar square footage and same type of building on the site. One of the four parcels was occupied by a marginal structure.

*\*“City of Minneapolis Property Information, Police Incidents” reports high numbers of police call/incidents for the parcels to be included in the TIF district. The number of police calls for these parcels for 2001 totaled 265, and the number to date this year totals 80; the State of the City Report 2001 reports the Third Precinct as having nearly 30% of all calls dispatched by the Precinct for the year 2000.*

The remaining 18 parcels included in the non-contiguous TIF district lie south of E. 29<sup>th</sup> Street and the proposed Midtown Greenway and include vacant lots, boarded and vacant buildings, substandard structures, and two marginal properties. The substandard structures were physically obsolete, deteriorated, were not feasible for rehabilitation to accommodate appropriate land use, contained defects or deficiencies in structural elements, essential utilities and facilities, were in need of major repair, contained broken and boarded windows, did not meet the energy code, exhibited infestation, and were considered to be poorly maintained premises. The marginal properties had minor repairs and code violations that did not exceed the thresholds to be considered structurally substandard. When permitted, internal and external inspections were conducted by MCDA staff on the properties to be included in the TIF District. Documentation supporting these findings is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that these plan documents are offered for approval.